

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

Docket No. 98-929

December 1, 1998

PUBLIC UTILITIES COMMISSION
Inquiry into Bulk Power System
Administration and Settlement
System in Northern Maine

NOTICE OF INQUIRY

WELCH, Chairman; NUGENT and DIAMOND, Commissioners

I. SUMMARY

In this Notice, we initiate an inquiry into the structure and operation of a bulk power system administrator (BPSA) and retail settlement system for certain parts of Maine that are electrically separated from the New England power grid. The primary purpose of this inquiry is to establish a procedural vehicle to consider efforts already being undertaken by northern Maine utilities to establish structures necessary for retail access to proceed in that part of the State.

II. BACKGROUND

During its 1997 session, the Legislature fundamentally altered the electric utility industry in Maine by deregulating electric generation services and allowing for retail competition beginning on March 1, 2000.¹ At that time, Maine's electricity consumers will be able to choose a generation provider from a competitive market. As part of the restructuring process, the Act requires utilities to divest their generation assets and prohibits their participation (except through unregulated affiliates) in the generation services market.

Four of Maine's electric utilities² are currently connected to the New England electric grid through the New Brunswick Power Corporation (NBP) transmission system. Electricity generators that are not located in northern Maine must secure transmission services through NBP. In addition, providers must either transport power over the Maine - New Brunswick transmission interface (the MEPCO line), which often has limited transfer capability, or schedule transmission through both Hydro Quebec and New Brunswick. Because this region is not electrically

¹An Act to Restructure the State's Electric Industry (the Act), P.L. 1997, ch.316 codified as 35-A M.R.S.A. § 3201-3217.

²The utilities are Maine Public Service Company (MPS), Houlton Water Power (HWP), Van Buren Power and Light (VBPS), and Eastern Maine Electric Cooperative (EMEC).

connected to the New England electric grid, systems in place in the rest of New England necessary for a workable competitive environment (e.g., an independent system operator and settlement system) do not yet exist in northern Maine.

Recently, the four utilities in northern Maine, with participation by NBP, have formed the Northern Maine Working Group to investigate the establishment of a BPSA and a settlement system,³ as well as other mechanisms and processes necessary to implement a competitive retail electricity market in the region. In addition, NBP has proposed several actions it could take to promote more effective competition in the region.

III. PROCESS FOR CONDUCTING PROCEEDING

Because the establishment of a BPSA is necessary if retail competition is to occur, we direct the northern Maine utilities to continue their efforts to develop a proposal for a BPSA and settlement system for their collective service areas. In doing so, we encourage the four utilities to solicit and consider input from likely market participants, including NBP, Hydro-Quebec, competitive electricity providers (both generators and marketers) likely to operate in the region, and customer groups. The northern Maine utilities should file their proposal no later than February 15, 1999. The proposal should describe the benefits and risks associated with the BPSA structure that is proposed, alternatives to the proposal and the benefits and risks of those alternatives, and a time frame for implementing the proposed BPSA. In addition, the utilities should include a preliminary assessment of the costs and benefits of becoming part of the ISO-NE control area and the process necessary to accomplish it.⁴ We encourage the northern Maine utilities to continue their communications with our staff as to their progress in developing the proposal.

The proposal should address the following issues and any others that the four utilities identify as important to the decision of how to implement a BPSA in the region. To the extent the proposed BPSA does not address one of these issues, the proposal should discuss the reasons for the omission. These issues include:

1. Generation scheduling

³The Commission's Chapter 321 ("Load Obligation and Settlement Calculations for Competitive Providers of Electricity") does not establish a settlement procedure for northern Maine.

⁴This issue is discussed in the report entitled "Competition and Market Power in the Northern Maine Electricity Market."

2. Financial settlement among competitive electricity providers
3. Bidding process and spot market operation
4. Market power monitoring and mitigation
5. Independence of the BPSA
6. Transmission access and pricing

The Commission may distribute the proposal and report for comments by interested persons and may request additional information if necessary. Upon consideration of all relevant information, the Commission will determine what further action is necessary to implement a BPSA and retail settlement system in northern Maine.

IV. INQUIRY PROCESS

Accordingly, we

O R D E R

1. That an Inquiry shall be opened as described in the body of this Notice;
2. That this Notice shall be sent to the service list of electric restructuring, Docket No. 95-462;
3. That this Notice shall be sent to the service list of Docket No. 97-586 ("Study of Northern Maine Connections to the New England Grid"); and
4. That this Notice of Inquiry will be posted on the Commission's website, <http://www.state.me.us/mpuc>.

Dated at Augusta, Maine this 1st day of December, 1998.

BY ORDER OF THE COMMISSION

Dennis L. Keschl
Administrative Director

COMMISSIONERS VOTING FOR: Welch
 Nugent
 Diamond